

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE:

MIDAMERICAN ENERGY COMPANY

DOCKET NO. EPB-02-156

ORDER REQUIRING ADDITIONAL INFORMATION

(Issued August 27, 2002)

On April 1, 2002, MidAmerican Energy Company (MidAmerican) filed its multiyear plan and budget for managing regulated emissions from its electric power generating facilities in the state that are fueled by coal pursuant to Iowa Code Supplement § 476.6(25) (2001). Iowa Code § 476.6(25)(d) provides that the Utilities Board (Board) shall issue an order approving or rejecting a plan or budget within one hundred eighty days after the public utility's filing is deemed complete. It is therefore necessary to determine whether MidAmerican's plan and budget is complete.

The statute is somewhat unclear in two ways. First, the second sentence of § 476.6(25)(a) states that each rate-regulated utility shall develop the plan for managing regulated emissions from "its facilities," but does not limit "facilities" to electric generation facilities that are fueled by coal as is done in the first sentence. Second, the statute contains no definition of completeness.

The undersigned interprets the statute in the following ways.

The meaning of "facilities." Since the first sentence of § 476.6(25)(a) refers to electric power generating facilities in the state that are fueled by coal, the second sentence of the same paragraph will be interpreted as if it contained the same language. Therefore, rate-regulated utilities must file plans and budgets only for regulated emissions from their coal-fired electric generation facilities.

The meaning of "complete." The term "complete" within the meaning of § 476.6(25)(d) will be interpreted to mean "complete" with respect to those types of emissions with associated compliance expenses that the utility has included in its plan and budget. The same will be true of any update to the plan and budget that the utility files. However, if the plan and budget is approved, the utility will only receive assured recovery of those expenses pursuant to § 476.6(25)(e) that it has included in its plan and budget, as opposed to having recovery be determined after-the-fact in a subsequent rate case.

In addition, the term "complete" will be interpreted in a functional way. "Completeness" means the plan and budget must include sufficient information for the Department of Natural Resources to be able to perform its required function under § 476.6(25)(a)(4), and for the Board to be able to evaluate the plan and determine whether or not it meets the statutory requirements.

Finally, on May 9, 2002, MidAmerican clarified that it is requesting the Board to approve its plan and budget for the 24-month period which began on April 1, 2002, taking into consideration that certain costs incurred during this period are part of a

series of investments extending over a longer period of time. Therefore, "completeness" relates only to the information in the plan and budget for this two-year period beginning April 1, 2002.

Required additional information. Given the above interpretations, the plan and budget are not yet complete. In order for the plan and budget to be deemed complete, MidAmerican must provide the following information and answers to questions. All requested information relates to the plan and expenditures for the two-year period beginning April 1, 2002. MidAmerican must provide the requested information for all generating facilities listed in the plan and budget, including those not wholly owned or operated by MidAmerican.

1. Given that there is no state or federal law that requires MidAmerican to take any action to reduce emissions in the two-year timeframe covered by this plan, please provide a detailed explanation of why doing nothing until a regulation or requirement is enacted into law, and/or finalized and implemented by the Environmental Protection Agency or the Iowa Department of Natural Resources, would not be reasonable. Why should the Board not limit expenditures to zero for the two-year period beginning April 1, 2002, pursuant to Iowa Code § 476.6(25)(f)? Please be specific for each pollutant at each generation facility.

2. Do any of the proposed reductions, controls, and expenditures for Council Bluffs Unit 3 relate to the modeled predicted NAAQS exceedances discussed by Ms. Catharine Fitzsimmons in her testimony at page 19, and MidAmerican's plan to build the Council Bluffs Unit 4 facility? If so, please provide a detailed explanation and justification for the actions proposed for Council Bluffs Unit 3 for each pollutant, the timing of each action, the control equipment considered and chosen, and the costs for each type of equipment considered and chosen. Did MidAmerican submit an air construction permit application for any proposed control equipment for Council Bluffs Unit 3? Please explain why or why not.

3. Are any of the actions and expenditures in the plan and budget needed to address current environmental requirements, or those that will be in effect in the two-year period beginning April 1, 2002? If so, please provide a detailed explanation.

4. Given that there is no state or federal law that requires MidAmerican to take any action to reduce emissions, please provide a detailed explanation of why MidAmerican (and Sargent & Lundy where applicable) chose the particular levels of reductions for each pollutant at each plant, and for the particular levels of reductions in each scenario. Please explain in detail what is meant by each scenario and why each was set as it was.

5. Given that there is no state or federal law that requires MidAmerican to take any action to reduce emissions in the two-year timeframe covered by this plan, please provide a detailed explanation and justification for the timing of each proposed action and proposed expenditure. Please be specific for each generation facility. If the timing relates to other planned outages, please provide details of the schedule for planned outages and how the outages for the addition of pollution control equipment coincide. If timing relates to necessary lead times related to limited availability of control equipment, labor, or other factors please provide a detailed explanation.

6. Given that there is no state or federal law that requires MidAmerican to take any action to reduce emissions in the two-year timeframe covered by this plan, please provide a detailed explanation and justification for the particular piece(s) of control equipment chosen for each pollutant at each plant. Please discuss all options evaluated and considered for each plant, why these particular technologies were chosen for evaluation, and why and how these options were rejected in favor of the chosen option. Please explain in detail how Sargent & Lundy estimated the percent reduction for each technology and pollutant at each location.

7. For each particular piece of control equipment considered and either chosen or rejected, please provide detailed cost information and justification for the control equipment chosen. Please explain in detail how Sargent & Lundy determined the capital and O&M costs for each piece of

equipment at each generation facility, and an estimate of the accuracy of each estimate. Please explain why each chosen control piece of equipment is the lowest cost or most cost-effective choice, and what MidAmerican and Sargent & Lundy mean by the term "cost-effective" as used in the plan and budget.

8. Regarding Ottumwa Unit 1 and any other generating facilities not wholly owned by MidAmerican: Please provide details of percentage of ownership for each plant and an explanation of how MidAmerican determined its share of the costs. Do the costs listed in the plan and budget include only MidAmerican's share of the costs? Please explain in detail. If costs shown include more than MidAmerican's share of the costs, please provide a detailed explanation and justification. Are all joint owners in agreement with the plan and budget? Please provide the information requested in questions three through seven for Ottumwa Unit One.

9. Please explain the summary listed on page 48 in detail.

10. For Tables 4 and 5 on pages 51-52, for the two-year period covered by this plan and budget, please explain each number in detail, including what specific control equipment, other capital costs, O&M, and any other costs are included, the basis for each number, and why the amounts must be spent in that year. Please explain what is meant by the term "Balance." Please explain why MidAmerican is spreading some costs, but not all, over a three-year period, and why three years is the appropriate period of time. Please provide a detailed explanation of the origin of all numbers. If

numbers originate in Report SL-5558, by Sargent and Lundy, the numbers in Tables 4 and 5 must be referenced to the corresponding calculations and explanations of those numbers provided in Report SL-5558. In particular, if the plan relies on Sargent and Lundy Exhibits 4-1 through 4-23, MidAmerican must reference numbers in Tables 4 and 5 with the corresponding numbers in exhibits and provide all formulas and calculations for the numbers.

11. Please explain which costs to be incurred in the two-year period of time beginning April 1, 2002, are "part of a series of investments extending over a longer period of time." Please explain why these environmental controls and costs should be approved for implementation in this plan, absent approval for the complete series of investments. Please state whether MidAmerican believes approval of such costs would commit MidAmerican and the Board to continuing the entire series of investments, and explain your answer.

12. MidAmerican is seeking approval of the proposed budget only for the two-year period of time beginning April 1, 2002. Please identify each expenditure for which MidAmerican is requesting approval for the two-year period beginning April 1, 2002. In addition, costs are listed for the entire calendar year 2004. Please clarify which costs listed for the year 2004 are included in the plan and budget for this two-year period ending March 31, 2004.

13. For each capital expenditure identified in the answer to the above question, please describe the proposed timeframe for depreciation and recovery, the rate of return proposed by MidAmerican on the capital item, the annual return over the life of the capital cost, and the present value of all future recovery costs associated with each capital item as of January 1st of the year subsequent to the expenditure.

14. Please state and explain in detail the level of return MidAmerican proposes for the emission controls for which it is asking approval in this plan. If a level of return is referenced from other Board proceedings, please provide details of the testimony and evidence supporting and contesting the rate of return.

15. In his testimony at page 8, lines 172-173, Mr. Schaefer stated, "The annual cost associated with any rate base additions or O&M expenses associated with the Plan would be reflected in the annual revenue sharing calculation." Please explain in detail how the cost would be reflected in the annual revenue sharing calculation.

IT IS THEREFORE ORDERED:

1. MidAmerican must provide the information and answers to questions listed in this order no later than Tuesday, September 24, 2002.

2. Once MidAmerican submits the required information and the plan and budget are deemed complete, an order deeming the plan complete and setting a procedural schedule and hearing date will be issued.

UTILITIES BOARD

/s/ Amy L. Christensen

Amy L. Christensen

Administrative Law Judge

ATTEST:

/s/ Judi K. Cooper

Executive Secretary

Dated at Des Moines, Iowa, this 27th day of August, 2002.